

HOUSING MARKET OUTLOOK

Quebec Region Highlights

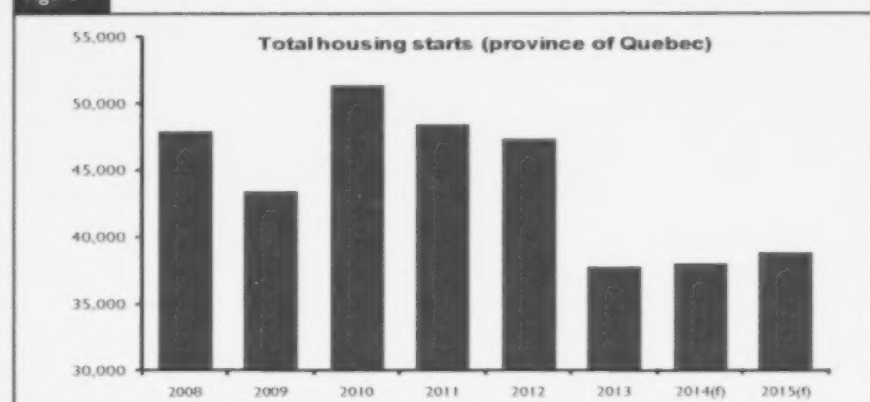


CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: First Quarter 2014

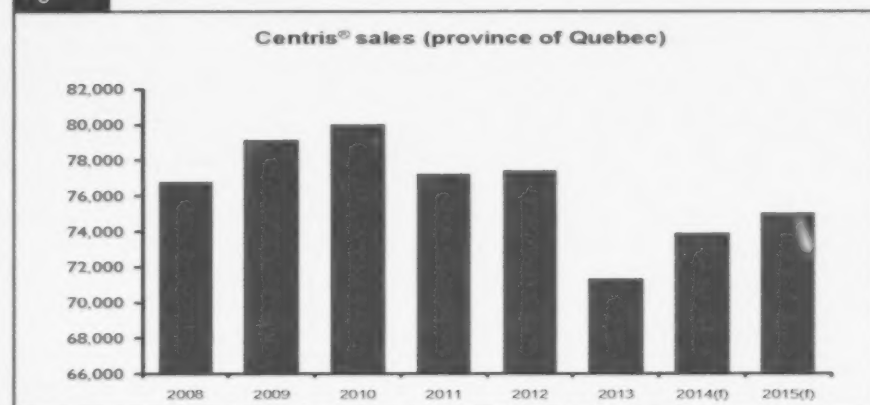
Housing Market Forecast

Figure 1



Source: CMHC

Figure 2



Source: QFREB by the Centris® system

Overview

In Quebec, moderate economic and employment growth will limit demand of existing and new homes this year and next. In addition, relatively high inventories of new and existing dwellings will also constrain the number of starts.

The province's economy is fuelled by moderate consumer and public spending. Meanwhile, despite a slightly more favourable exchange rate, demand for exports is far from its full potential.

As the Canadian economy gains momentum, so will economic growth in the province. Thus, GDP growth of 1.7 per cent and 2.0 per cent is expected in 2014 and 2015, respectively. Accordingly, employment will continue to progress at a rate of 1.4 per cent in 2014 and 1.5 per cent in 2015.

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Demography

On the demographic front, total net migration will be limited by more attractive labour markets in other provinces. This said, sustained immigration to the province will still have a positive impact on demand in the rental market.

Total net migration is expected to approach 44,000 persons this year and 46,000 persons in 2015. During this period, moderating formation of younger households will cool first-time buying, and population aging will continue to prompt some older households to downsize.

Mortgage rates

Consistent with a somewhat higher economic growth prospect, interest rates are forecast to register gradual and modest increases by the end of the forecast horizon, ultimately leading to a slight increase in mortgage rates.

Nevertheless, this interest rate outlook will continue to support housing market activity over the forecast horizon, as mortgage rates will remain low by historical standards.

According to CMHC's base case scenario for 2014, the average for the one-year posted mortgage rate is

forecast to be within 3.0 per cent to 3.50 per cent, while the average for the five-year posted mortgage rate is anticipated to be within 5.25 per cent to 5.75 per cent.

For 2015, the average for the one-year posted mortgage rate is expected to rise and be in the 3.75 per cent to 4.25 per cent range, while the average for the five-year posted mortgage rate is forecast to be within 5.50 per cent to 6.25 per cent.

New home construction

Single Starts:

Following a drop in 2013, starts of single-detached homes will remain relatively stable during the next two years, reaching 13,200 in 2014 and 13,400 in 2015.

Future demand will be influenced by moderate employment growth, the continued easing of the resale market, and the trend toward multiple housing.

Multiple Starts:

After coming back down to a level that is more in line with the demographic trends, multiple housing starts will also stabilize this year and next.

This market segment will continue to be supported by its relative lower price in comparison to new single-detached homes. Further growth will be limited by relatively high levels of supply of new and resale housing, which will provide more choice to potential home buyers.

Starts of multiple dwellings will be at 24,800 units in 2014 and 25,400 in 2015.

Resale market

Resales:

Sales of existing houses recorded by Centris® 14 should increase slightly this year, in line with moderate employment growth. Following a certain rebound in the second half of 2013, resales will continue on this trend and reach the 73,900 level this year.

In 2015, buying conditions will be somewhat impeded by anticipated slightly higher interest rates. Nonetheless, 75,000 Centris® resales will be achieved next year.

Prices:

With lower demand and rising supply, prices of resale homes will post marginal growth during the forecast horizon. A gradual return to more balanced market conditions will keep price growth around the one per cent mark this year and next.

As a result, the average price recorded by Centris® will reach \$265,800 this year and \$269,000 in 2015.

Mortgage rates		
1 Year	Q4 2013	3.14
	Change from Q4 2012	0.07
	2014 (F)	3.00 - 3.50
	2015 (F)	3.75 - 4.25
5 Year	Q4 2013	5.36
	Change from Q4 2012	0.12
	2014 (F)	5.25 - 5.75
	2015 (F)	5.50 - 6.25

Source: Bank of Canada, CMHC Forecast

NOTE: Mortgage rate forecast is based on Q4 2013 data

Quebec Region Economic and Housing Indicators

		Labour Market				Housing Market				
		Emp. Growth SA (%)	Unemp. Rate SA (%)	Average Weekly Earnings (\$)		Total Starts	Single-Detached Starts	Multiple Starts	Centris® Sales ²	Centris® Average Price ² (\$)
Gatineau	Q4 2013	-1.0	7.0	953.98	Q4 2013	628	121	507	641	244,341
	Q4 2012	-1.5	6.5	918.51	Q4 2012	649	143	506	682	237,293
	Change ¹	0.6	0.5	3.9%	% Change	-3.2	-15.4	0.2	-6.0	3.0
Montréal	Q4 2013	1.1	8.0	816.80	Q4 2013	4,565	763	3,802	7,315	333,610
	Q4 2012	5.1	7.9	805.61	Q4 2012	5,388	933	4,455	7,467	326,127
	Change ¹	-4.0	0.1	1.4%	% Change	-15.3	-18.2	-14.7	-2.0	2.3
Québec	Q4 2013	1.4	4.7	853.41	Q4 2013	1,277	207	1,070	1,257	263,803
	Q4 2012	-1.6	4.7	818.68	Q4 2012	1,508	320	1,188	1,421	259,565
	Change ¹	3.1	0.0	4.2%	% Change	-15.3	-35.3	-9.9	-11.5	1.6
Saguenay	Q4 2013	4.9	7.3	784.16	Q4 2013	182	85	97	197	202,014
	Q4 2012	0.7	9.7	794.69	Q4 2012	393	89	304	259	185,351
	Change ¹	4.1	-2.4	-1.3%	% Change	-53.7	-4.5	-68.1	-23.9	9.0
Sherbrooke	Q4 2013	-4.6	7.0	748.64	Q4 2013	565	97	468	315	254,610
	Q4 2012	-0.1	6.7	756.67	Q4 2012	459	104	355	333	223,282
	Change ¹	-4.5	0.3	-1.1%	% Change	23.1	-6.7	31.8	-5.4	14.0
Trois Rivières	Q4 2013	3.4	8.3	771.93	Q4 2013	207	71	136	165	144,079
	Q4 2012	-10.7	8.1	764.47	Q4 2012	273	71	202	187	149,903
	Change ¹	14.1	0.2	1.0%	% Change	-24.2	0.0	-32.7	-11.8	-3.9
Province of Quebec	December 13	0.1	7.7	808.94	Q4 2013	10,661	3,110	7,551	14,202	273,436
	December 12	3.5	7.3	791.98	Q4 2012	12,201	3,738	8,463	14,877	267,328
	Change ¹	-3.4	0.4	2.1%	% Change	-12.6	-16.8	-10.8	-4.5	2.3
Canada ²	December 13	0.6	7.2	892.88	Q4 2013	50,453	19,671	30,782	94,673	391,156
	December 12	1.8	7.1	874.58	Q4 2012	52,562	20,833	31,729	87,204	357,464
	Change ¹	-1.2	0.1	2.1%	% Change	-4.0	-5.6	-3.0	8.6	9.4

¹ Changes to the Unemployment Rate and Employment Growth represent the **absolute** difference between current rates and the rates for the same period in the previous year.

Sources: Statistics Canada (CANSIM), CMHC (Starts and Completions Survey), CREA, Centris® Statistics

² Source for Canada resale housing data is the Canadian Real Estate Association (CREA).

The Centris® system contains all the listings of Québec real estate brokers.

"SA" means Seasonally Adjusted

NOTE: Some of the data in this table, such as the Centris® sales and average price for Q4, became available after the cut-off date of January 22nd 2013. As a result, this data was not considered for the forecast.

Quebec Housing Market Outlook (units and percentage change)											
	2009	2010	2011	2012	2013	2014(F)	2015(F)	2014Q1(F)	2014Q2(F)	2014Q3(F)	2014Q4(F)
Housing Starts:											
Single	17,535	19,549	16,554	16,059	13,144	13,200	13,400	13,200	13,200	13,200	13,200
%	-11.3	11.5	-15.3	-3.0	-18.2	0.4	1.5	3.4	0.0	0.0	0.0
Multiple	25,868	31,814	31,833	31,308	24,614	24,800	25,400	24,500	24,750	25,000	25,000
%	-8.0	23.0	0.1	-1.6	-21.4	0.8	2.4	-6.3	1.0	1.0	0.0
Total	43,403	51,363	48,387	47,367	37,758	38,000	38,800	37,700	37,950	38,200	38,200
%	-9.4	18.3	-5.8	-2.1	-20.3	0.6	2.1	-3.1	0.7	0.7	0.0
Existing Home Markets:											
Centris® Sales	79,105	80,027	77,165	77,379	71,301	73,900	75,000	73,500	73,750	74,000	74,250
%	3.1	1.2	-3.6	0.3	-7.9	3.6	1.5	3.7	0.3	0.3	0.3
Centris® Average Price	225,367	241,455	252,147	260,529	262,495	265,800	269,000	265,500	265,750	266,000	266,500
%	4.7	7.1	4.4	3.3	0.8	1.3	1.2	-0.5	0.1	0.1	0.2

The Centris® system contains all the listings of Québec real estate brokers.

Source: CMHC (Starts and Completions Survey), CREA

Some of the data in this table, such as the Centris® sales and average price for Q4, became available after the cut-off date of January 22nd 2013. As a result, this data was not considered for the forecast.

All data in this table, except the Centris® average price, is seasonally adjusted at annual rates. The Centris® average price data is actual.

Quebec Region - Housing Forecast Ranges

	2014			2015		
	Point Forecast	High Forecast	Low Forecast	Point Forecast	High Forecast	Low Forecast
Province of Quebec						
Housing Starts	38,000	40,400	35,900	38,800	43,300	34,300
Multiple	24,800	26,200	23,400	25,400	28,200	22,600
Single	13,200	14,200	12,500	13,400	15,100	11,700
Centris® Sales	73,900	78,700	69,100	75,000	79,900	70,100
Centris® Average Price (\$)	265,800	272,800	258,800	269,000	277,700	260,300
Canada						
Housing Starts	187,300	199,800	176,600	184,900	206,600	163,200
Multiple	110,600	117,000	104,200	108,700	120,800	96,600
Single	76,700	82,800	72,400	76,200	85,800	66,600
MLS® Sales	466,500	497,000	436,000	474,700	506,000	443,400
MLS® Average Price (\$)	390,400	400,700	380,100	397,100	409,900	384,300

Sources : CMHC

The Centris® system contains all the listings of Québec real estate brokers.

Quebec Region Housing Forecast - New Construction

	Housing Starts	2013	2014(F)*	% chg (2013/2014)	2015(F)*	% chg (2014/2015)	YTD 2013**	YTD 2012**	% chg (2012/2013)
Gatineau	Single-Detached	475	450	-5.3	425	-5.6	475	688	-31.0
	Multiple	1,449	1,475	1.8	1,575	6.8	1,449	2,071	-30.0
	Total	1,924	1,925	0.1	2,000	3.9	1,924	2,759	-30.3
Montréal	Single-Detached	3,039	3,300	8.6	3,400	3.0	3,039	3,959	-23.2
	Multiple	12,593	12,500	-0.7	12,500	0.0	12,593	16,632	-24.3
	Total	15,632	15,800	1.1	15,900	0.6	15,632	20,591	-24.1
Québec	Single-Detached	961	900	-6.3	900	0.0	961	1,258	-23.6
	Multiple	3,719	3,300	-11.3	2,900	-12.1	3,719	5,158	-27.9
	Total	4,680	4,200	-10.3	3,800	-9.5	4,680	6,416	-27.1
Saguenay	Single-Detached	337	300	-11.0	300	0.0	337	400	-15.8
	Multiple	582	430	-26.1	400	-7.0	582	717	-18.8
	Total	919	730	-20.6	700	-4.1	919	1,117	-17.7
Sherbrooke	Single-Detached	442	450	1.8	450	0.0	442	610	-27.5
	Multiple	1,054	1,050	-0.4	1,050	0.0	1,054	1,131	-6.8
	Total	1,496	1,500	0.3	1,500	0.0	1,496	1,741	-14.1
Trois Rivières	Single-Detached	243	240	-1.2	220	-8.3	243	305	-20.3
	Multiple	606	510	-15.8	505	-1.0	606	716	-15.4
	Total	849	750	-11.7	725	-3.3	849	1,021	-16.8

Source: CMHC (Starts and Completions Survey)

(F) = CMHC Forecast

* Although point forecasts are provided in this table, please refer to the "Housing Forecast Range" table to get the relevant ranges.

** YTD = January - December

Quebec Region Housing Forecast - Resale Market

		2013	2014(F)*	% chg (2013/2014)	2015(F)*	% chg (2014/2015)	YTD 2012*	YTD 2013*	% chg (/)
Gatineau	Centris® Sales ¹	3,545	3,600	1.6	3,675	2.1	3,865	3,545	-8.3
	Centris® Avg. Price ¹	243,330	247,000	1.5	250,000	1.2	238,807	243,330	1.9
Montreal	Centris® Sales ¹	36,522	38,500	5.4	39,700	3.1	40,089	36,522	-8.9
	Centris® Avg. Price ¹	324,020	325,600	0.5	329,000	1.0	321,083	324,020	0.9
Québec	Centris® Sales ¹	6,282	6,500	3.5	6,800	4.6	7,219	6,282	-13.0
	Centris® Avg. Price ¹	267,254	272,000	1.8	278,000	2.2	257,879	267,254	3.6
Saguenay	Centris® Sales ¹	1,185	1,100	-7.2	1,000	-9.1	1,450	1,185	-18.3
	Centris® Avg. Price ¹	193,764	195,000	0.6	195,000	0.0	185,623	192,237	3.6
Sherbrooke	Centris® Sales ¹	1,665	1,740	4.5	1,730	-0.6	1,784	1,665	-6.7
	Centris® Avg. Price ¹	229,483	234,000	2.0	238,000	1.7	216,662	229,483	5.9
Trois Rivières	Centris® Sales ¹	928	875	-5.7	850	-2.9	1,026	928	-9.6
	Centris® Avg. Price ¹	158,582	162,000	2.2	165,000	1.9	154,558	158,582	2.6

The Centris® system contains all the listings of Québec real estate brokers.

Sources: CMHC, CREA, Centris® Statistics, CMHC Forecast 2011-2012

¹ Source for the CMA's: Centris® Statistics, YTD: January to December

(F) = CMHC Forecast

* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report to get the relevant ranges.

* YTD = January - December

Quebec Region Housing Forecast - Rental Market

	Vacancy Rate		Average Rent 2-Bedroom Units	
	Oct 2013	Oct 2014(F)	Oct 2013	Oct 2014(F)
Gatineau	5.1	5.2	744	745
Montréal	2.8	2.6	730	740
Québec	2.3	2.5	757	770
Saguenay	2.8	3.0	571	590
Sherbrooke	5.3	5.1	591	600
Trois Rivières	5.1	5.5	555	560
Canada	2.9	2.6	n/a	n/a

Source: CMHC Fall Rental Market Survey

(F) = CMHC Forecast

¹ All centres 100,000+

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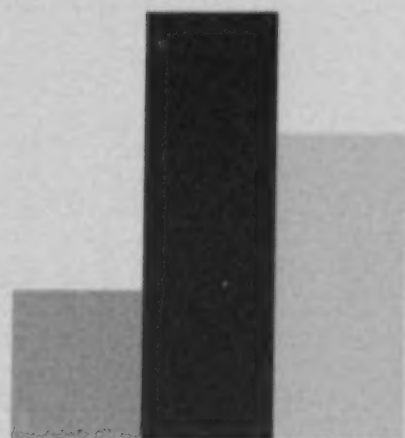
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